



# Los Angeles County AUDIT COMMITTEE

Carl Gallucci, Chair  
4th<sup>d</sup> District  
Louisa Ollague, Vice-Chair  
1<sup>st</sup> District  
Dorinne Jordan  
2<sup>nd</sup> District  
Genie Chough  
3<sup>rd</sup> District  
Lori Glasgow  
5<sup>th</sup> District

MINUTES  
MAY 21, 2009

Chair Carl Gallucci called the meeting to order at 10:42 a.m. in Conference Room 525, Kenneth Hahn Hall of Administration.

## Committee Members Present

Carl Gallucci, Chair, Fourth District  
Dorinne Jordan, Second District  
Genie Chough, Third District  
Lori Glasgow, Fifth District

## Excused Absence

Louisa Ollague, Vice Chair, First District

## Others in Attendance

Don Chadwick, Auditor-Controller  
Jackie Guevarra, Auditor-Controller  
John Naimo, Auditor-Controller  
Maria Oms, Auditor-Controller  
DeWitt Roberts, Auditor-Controller  
Jim Schneiderman, Auditor-Controller  
Judi Thomas, Auditor-Controller  
Frank Cheng, Chief Executive Office  
James Hazlett, Chief Executive Office  
Raymond Low, Department of Public Health  
Miles Yokota, Department of Public Health  
Carol Kim, Third District  
Lee Millen, Board of Supervisors  
Andrew Sevrin, Board of Supervisors

## APPROVAL OF APRIL 16, 2009 MINUTES

On motion of Lori Glasgow, seconded by Dorinne Jordan and unanimously carried, the minutes of April 16, 2009 were approved with the following change:

On Page 1, Paragraph 2, under Others in Attendance, "DeWitt Roberts, ~~Department of Public Health~~ Auditor-Controller".

## Old Business

Department of Public Health Fiscal Review (1/26/09): This item was continued in Louisa Ollague's absence due to specific inquiries regarding the report. **On motion of Genie Chough, seconded by Carl Gallucci and unanimously carried, the Committee continued this item to its July 16, 2009, Audit Committee meeting.**

Board Policy Sunset Review –5.050: Contractor's Use of Gain/Grow Participants (02/23/09):  
**On motion of Genie Chough, seconded by Carl Gallucci and unanimously carried, the Committee continued this item to its July 16, 2009, Audit Committee meeting.**

Chicana Service Action Center, Inc. Contract Review – A Community and Senior Services Workforce Investment Act Program Provider – Fiscal Year 2007-08 (03/17/09): Genie Chough recalled that at a previous meeting this item was continued because the Corrective Action Plan was due on April 30, 2009. Don Chadwick reported that to date a Corrective Action Plan (CAP) has not been submitted and CSS took the appropriate action to send a collection notice on May 12, 2009 for repayment or submit a CAP. Contractor payments are suspended until three payments have been made or the CAP is received. A CSS representative will discuss this issue at the next meeting. Mr. Chadwick recommended that the report be received and filed in advance of a revised version that will follow after a CAP has been submitted. **On motion of Genie Chough, seconded by Lori Glasgow and unanimously carried, the Committee received and filed this report.**

Hub Cities Consortium Allegation Review (03/24/09): Don Chadwick related that the Hub Cities situation is similar to the previous report. CSS forwarded Hub Cities a collection letter requesting either a CAP or a repayment of amounts that were disallowed in questioned costs. In the week to come CSS and Hub Cities will be meeting to discuss payment of any outstanding amounts. Although CSS has not discontinued payments to Hub Cities, Mr. Chadwick recommended continuing the item until the next meeting since it is an ongoing issue. **On motion of Genie Chough, seconded by Lori Glasgow and unanimously carried, the Committee continued this item to its July 16, 2009, Audit Committee meeting.**

Fraud Hotline Status Report – July 1, 2008 Through December 31, 2008 (04/09/09):  
**On motion of Genie Chough, seconded by Lori Glasgow and unanimously carried, the Committee received and filed this report.**

Status Report Number Three – Los Angeles County Office of Education Juvenile Court Schools Funding Utilization (Board Agenda Items 6 and 47-E, October 14, 2008) (04/10/09):  
Mr. Chadwick reported that the Auditor-Controller was directed by the Board to look into LACOE and their funding, and see if a better funding model could be used. The Auditor-Controller met with the Probation Department and concluded that the revised draft of the contract has deliverables that have not been met, and questions remain regarding the Probation Department's conclusion on the matter. Consequently, a 60-day extension on the report will be requested to ensure that the contractor, School Services of California, meets their deliverables. School Services of California has contracted with various educational County agencies throughout the State.

Ms. Oms added that they are having difficulty with this report in that both the Auditor-Controller and the Probation Department disagree with the report's findings and payments remain in suspense.

Supervisors Knabe and Yaroslavsky recommended suspending payments to the contractor until compliance is made. Chair Gallucci recommended receiving and filing this version of the report. **On motion of Carl Gallucci, seconded by Genie Chough and unanimously carried, the Committee received and filed this report.**

### **Reports to be Received and Filed**

Board Policy Statement Review 8.020 – Sunset Review (04/10/09): The item was continued. **On motion of Genie Chough, seconded by Carl Gallucci and unanimously carried, the Committee continued this item to its July 16, 2009, Audit Committee meeting.**

Review of Board Policy 8.010 (04/13/09): **On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed this report.**

Review of Board Policy No. 5.140 – Sunset Review Date (04/13/09): **On motion of Dorinne Jordan, seconded by Genie Chough and unanimously carried, the Committee received and filed this report.**

District Attorney's Asset Forfeiture Fund (04/13/09): John Naimo, Auditor-Controller, reported that asset forfeiture monies originate and exist from arrests or other related criminal prosecution that results in seized assets and property, based on statutes that allow their distribution into an account. Portions of this account are distributed to other arresting agencies that work in connection with the District Attorney (i.e. City Police, County Sheriff's Dept., et al). The residual amount remains with the District Attorney for its future use in a budgeted program. Several years past the Board was informed of this account because of some unmet needs with the District Attorney, which prompted an inquiry to have the DA's office report on this account prior to requesting additional County funds. As a result, the Board asked the Auditor-Controller to provide a quarterly update report on this account, which is ongoing these past ten years. In response to Genie Chough, Mr. Naimo noted that the money is only used for a specific scope of work. **On motion of Genie Chough, seconded by Lori Glasgow and unanimously carried, the Committee received and filed this report.**

Sunset Review Policy 9.102 (04/14/09): **On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed this report.**

Cash Flow Projection (04/16/09): Mr. Naimo reported that the County is experiencing a serious downturn in cash balance not seen for the past ten years. The report shows a \$700 million year-end balance; conversely, the 2008 year end balance was over \$1 billion. The financial downturn can be attributed to increases in County payroll, employee benefits, as well as services and supplies. Revenues are presently flat, resulting in more disbursement requirements and a further reduction in the cash balance; reserve spending is occurring, which affects the general fund balance. The large amounts of State receivables (\$2 billion) that are owed this year to the Department of Health Services and Mental Health Department, which is measured once a year during book closing, approximately what was owed DHS and DMH last year, including money owed from various agencies. These departments have cash flow needs that are unique from other County departments.

In response to Dorinne Jordan, Mr. Naimo reported that the likelihood of collections is good but lengthy, with reimbursement occurring in 6-12 months. Consequently, many upfront costs incurred by the County while awaiting reimbursements from third parties; State payments totaling \$150 million for health-related funds were received in April 2009.

In response to Chair Gallucci, Mr. Naimo reported that hospital funds have decreased to a zero balance, and surplus amounts have been shrinking. The surplus used to balance the budget for the past two years, however, because there is less external money coming in the surplus is used

to cover the difference. **On motion of Dorinne Jordan, seconded by Genie Chough and unanimously carried, the Committee continued this item to its July 16, 2009, Audit Committee meeting.**

Board Policy 4.020: Administrative Policy on Takeovers of Internally Provided Services (04/28/09): **On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed this report.**

Comprehensive Gang Program Listing (05/06/09): **On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed this report.**

Policy No. 4.010 Sunset Review: Administrative Policy on Interdepartmental Billing and Arbitration (05/07/09): **On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed this report.**

Review of Board Policy 4.030 (05/11/09): **On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed this report.**

County Departments' Revolving Funds and Revolving Cash Trust Funds As Of June 30, 2008 (05/12/09): **On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed this report.**

Department of Health Services Contract Physician Oversight, Physician Timekeeping and Outside Employment Second Follow-Up Review (Board Agenda Items 61-A, July 9, 2005 and 85-A, August 30, 2005) (05/13/09): Jim Schneiderman reported that the Department of Health Services will provide another follow-up report to the Board in April 2010. **On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed this report.**

Ford Theatre Foundation Financial Statements With Independent Auditor's Report As Of December 31, 2007 (05/13/09): **On motion of Genie Chough, seconded by Dorinne Jordan and unanimously carried, the Committee received and filed this report.**

Auditor-Controller Reviews of Proposition A Contract Cost Analyses – Revised Policy (05/14/09): Jim Schneiderman advised that the Report was forwarded from the Board to the County Departments informing them of changes made on Proposition A cost analyses. Any contract amount in excess of \$1 million requires monitoring by the Auditor-Controller, and any amendment or renewal that increases the contracted amount to \$1 million also requires Auditor-Controller monitoring for approval.

Training on the new policy will be scheduled in conjunction with the Contract Manager's Network meeting scheduled on May 2009. The Auditor-Controller will add the revised policy to the County Fiscal Manual. **On motion of Genie Chough, seconded by Lori Glasgow and unanimously carried, the Committee received and filed this report.**

JWCH Institute, Inc. Contract Review – A Department of Public Health HIV/AIDS Care and Prevention Services Provider (05/14/09): **On motion of Genie Chough, seconded by Lori Glasgow and unanimously carried, the Committee received and filed this report.**

City of Long Beach Contract Review - A Department of Public Health HIV/AIDS Care and Prevention Services Provider (05/14/09): Maria Oms requested that the item be continued. **On motion of Dorinne Jordan, seconded by Genie Chough and unanimously carried, the Committee continued this item to its July 16, 2009, Audit Committee meeting.**

### **PUBLIC COMMENT**

There was none.

### **OTHER BUSINESS**

Contractors Repayment Guidelines (Discussion): Jim Schneiderman requested that this item be continued in that a speaker is not present to address the topic. **On motion of Carl Gallucci, seconded by Lori Glasgow and unanimously carried, the Committee continued this item to its July 16, 2009, Audit Committee meeting.**

### **MATTERS NOT ON THE POSTED AGENDA (TO BE PRESENTED AND PLACED ON THE AGENDA OF A FUTURE MEETING)**

In response to Genie Chough, Don Chadwick reported on the status of the DPH's Office of AIDS Programs and Policy (OAPP) RFP for Minority Aid Services. The only bidder on the RFP was Palms, who owe a \$58,000 reimbursement to the County. Consequently, the OAPP is recommending a Sole Source contract for six months with another provider in order for Palms to organize and cancel their debt.

There were two contractors that submitted proposals: one provided services to the Hispanic community, and Palms offered services to the African-American community. OAPP, in turn, offered two options: one option was that Palms implement the Auditor- Controller's recommendations and they would be awarded a new OAPP contract; or, without complying with all recommendations they would repay the outstanding debt and the Sole Source contract would be awarded to another provider in the same area as Palms. Maria Oms added that the Auditor-Controller has scheduled an entrance conference with Palms on May 26, 2009, in that only two weeks remain for the Auditor-Controller report to OAPP regarding Palms' compliance with internal and fiscal controls. Ms. Chough noted that she was informed that the other vendor would receive a six-month sole source OAPP contract while Palms works on its contract compliance.

### **ADJOURNMENT**

There being no further business to conduct, the meeting was adjourned at 11:35 a.m.